

THE SANITARY SEWER SYSTEM

The Water Services Department is responsible for the planning and construction of sewers, pump stations, and treatment facilities serving Kansas City and certain surrounding areas. It is also responsible for the operation and maintenance of all of the wastewater collection and treatment facilities, compliance with the City's wastewater discharge permits, and applicable state and federal environmental regulations, as well as the administration of an industrial waste program to regulate the quality of wastewater discharged from certain industrial activities.

The Kansas City Sanitary Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 158,000 customers inside and outside the City on a retail basis and agreements with 28 surrounding communities and sewage districts on a contractual basis. The Water Services Department currently maintains about 2,200 miles of sanitary sewers and about 600 miles of combined sewers, 39 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the City's treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

Biosolids, the stabilized product generated from treatment of wastewater, is used in land application, at a City-owned facility, in the cultivation of non-food agriculture. These activities meet the United States Environmental Protection Agency ("EPA") treatment and pollutant content criteria Part 503.13 and can be safely recycled and applied as fertilizer to sustainably improve and maintain productive soils and stimulate plant growth. Biosolids are used as natural fertilizer to improve the quality of land for agriculture and increase crop yields. The crops harvested, soy beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol.

A summary of the City's wastewater treatment plants is presented in the table below:

Existing Wastewater Treatment Facilities^(a)

	<u>Approximate First Year of Operation</u>	<u>Current Design Capacity (mgd)</u>	<u>Average Flow (mgd) ^(b)</u>
Treatment Facility			
Blue River ^(c)	1964/1985 ^(f)	105.00	74.82
Westside ^(d)	1977	22.50	17.84
Birmingham ^(d)	1977	20.00	12.88
Todd Creek ^(d)	1999	3.40	1.75
Fishing River ^(d)	2000	1.00	.90
Rocky Branch ^{(d)(e)}	2005	2.80	1.47
TOTAL		154.70	109.66

(a) Northland Mobile Home Park Treatment Plant was closed and replaced with a pumping station in FY 2012.

(b) Average flow for fiscal year 2012 in mgd – million gallons per day

(c) Secondary treatment provided by trickling filters.

(d) These facilities provide secondary treatment using an activated sludge treatment process.

(e) Capacity at the Rocky Branch Wastewater Treatment Plant was upgraded in 2005.

(f) Blue River primary treatment and solids handling was constructed in 1964, secondary treatment was added in 1985.

The following table shows revenues* generated by customer class for the Sanitary Sewer System over the past five years.

	Sanitary Sewer Revenues				
	2008	2009	2010	2011	2012
Residential	\$22,282,639	\$23,897,457	\$28,302,375	\$37,568,002	\$38,097,564
Commercial/Industrial	23,843,282	24,854,549	24,109,231	32,658,410	38,351,324
Inter-jurisdictional	18,722,855	21,098,061	21,707,816	23,123,947	23,925,569
Other Operating Revenue	3,613,322	4,752,796	5,521,163	5,023,113	4,535,887
Total Revenue*	\$68,462,097	\$74,602,862	\$79,640,585	\$98,373,472	\$104,910,344

*Total revenues do not include interest income, which can be found in the Statement of Revenues, Expenses and Changes in Fund Net Assets at page 12.

The following table shows the number of retail Sanitary Sewer System customers over the past five years.

	Number of Sanitary Sewer Customers				
	2008	2009	2010	2011	2012
Residential	133,308	136,470	137,500	139,496	142,535
Commercial/Industrial	15,076	15,179	15,200	13,949 **	15,947
Inter-jurisdictional Wholesale	138 *	21	21	21	21
Total Customers	148,522	151,670	152,721	153,466	158,503

*In fiscal year 2008, customer accounts were based on service connections. In the following years, customer accounts were based on discrete wholesale customer contracts. Of the 28 inter-jurisdictional agreements, 6 are billed on a retail basis, one of them treats the City's flow (Little Blue Valley Sewer District) and 21 are billed on a wholesale basis.

**The change from bi-monthly to monthly billing identified an issue in customer count. Prior to going to monthly billing exclusively, a greater proportion of commercial class customers were assumed to be billed monthly, which overestimated the number of commercial accounts in those years. Because nearly all residential accounts were billed bi-monthly, the estimate was consistent with actual performance.

Management Initiatives

The Water Services Department completed the American Water Works Association "QualServe" process in August, 2012. The "QualServe" process is made up of three components: self assessment, peer review and benchmarking. The self assessment portion is a survey of employees to establish the current perspective of the utility. The peer review brings utility professionals on-site, to provide a global perspective and make recommendations for improvements. Finally, benchmarking is designed to track and assess the recommended improvements. These indicators help utilities track internal progress and compare themselves to fellow utilities across 34 areas helping to provide a global view of the utility. Specifically, this will result in strategies to address planning, organizational structure and function, and internal and external service delivery.

To help assess community expectations, the Water Services Department has initiated a customer satisfaction survey. This survey will be done quarterly and is planned to be completed over the next five years. The Water Services Department has completed two quarterly surveys to date. The survey results will help the utility gauge the impact of the overflow control program, identify areas for improvement and help further assess the impact of the "QualServe" process. These initiatives are aimed at helping the Water Services Department achieve best in class delivery of essential services.

Qualifications For National Association of Clean Water Agencies Peak Performance Awards

The following table shows performance awards received by the Water Services Department for the years 2008 to 2012:

Facility	2008	2009	2010	2011	2012
Blue River	Silver	Silver			Gold
Birmingham		Silver	Gold	Silver	Gold
Fishing River	Gold	Gold		Silver	Silver
Rocky Branch	Gold	Silver	Gold	Silver	Gold
Todd Creek	Gold	Gold	Gold	Gold	Platinum
Westside	Gold	Gold		Gold	Gold

Platinum = Five consecutive Gold Awards.

Gold = No National Pollutant Discharge Elimination System (“NPDES”) exceedances in the year.

Silver = Five or less NPDES exceedances in the year.

Blank cell = No award was received for the associated year.

One Platinum award winner, Northland Mobile Home Park, is not listed above, as it was taken out of service and replaced with a pump station.

Security of the System

The City continues to evaluate and address Sanitary Sewer System security matters in accordance with requirements of the EPA and other applicable federal regulations. The City continues to seek federal funding to defray the cost of any additional security needs.

Capital Improvement Program

The City’s Water Services Department has developed the Capital Improvement Program (CIP), which is intended to maintain and expand the Sanitary Sewer System’s capability of collecting and treating wastewater in a manner that meets or exceeds existing and anticipated federal and state water quality standards. The City expects to issue approximately \$75 million in sanitary sewer system revenue bonds during fiscal year 2013 to finance further improvements to the collection system. A discussion of long term financings is included in the CIP plan.

Overflow Control Plan

The City Council directed the City Manager in 2003 to prepare a long range plan to manage wet weather flow in both the separate and combined sewers within Kansas City. In response, the City Water Services Department prepared an Overflow Control Plan (the “Plan”). Creation of the Plan was driven by requirements of the Federal Water Pollution Control Act as amended (the “Clean Water Act”) and by policies of the EPA related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the combined sewer system and separate sewer system, while reducing sewer overflows, and to provide a platform to facilitate implementation of a comprehensive green solutions initiative in the City. Upon full implementation, the Plan for the combined sewer system is designed to capture for treatment, approximately 88% of the existing flows in the combined sewer system during a typical year, reduce typical year Combined Sewer Overflows (“CSO”) volume, and reduce inflows into the combined sewer system. It will provide adequate capacity to store, transport and treat wastewater in the separate sewer system during a five year, 24-hour rainfall event and reduce the frequency and severity of basement backups throughout the City.

The City has reached an agreement with the federal government that has been embodied in the form of a Consent Decree. The Consent Decree includes the Plan, resolution of past Clean Water Act violations, and the imposition of a penalty. The Consent Decree was lodged on May 18, 2010, with the United States District Court for the Western District of Missouri and on September 27, 2010 the court issued an Order approving and entering the Consent Decree. A separate agreement has been reached with the Missouri Department of Natural Resources (“MDNR”), resolving past sewer overflow violations, imposing a penalty, and requiring the development of a sewer overflow response plan. The City has been timely fulfilling its obligations under both arrangements.

The estimated capital cost of the Plan is \$2.5 billion (2008 dollars) over twenty-five years. In addition, there will be a substantial increase in annual expenditures for operation and maintenance. It is anticipated that the Plan will be funded primarily from the City's Sewer Fund, which is separate from the general fund. The City does not anticipate that the City's general fund will be relied upon to assist in the financing of the Plan; however, further future analysis will be required. Specifically, financing strategies to offset the cost of the Plan will be evaluated and implemented, which could include appropriation of moneys from the City's general fund.

The Consent Decree can be found at: <http://www.kcmo.org/idc/groups/public/documents/waterservices/consentdecree.pdf>

Regulatory Requirements

General

The City's Sanitary Sewer System operations are subject to regulatory requirements relating to the Clean Water Act and the Federal Air Pollution Prevention and Control Act, as amended (the "Clean Air Act"). The regulatory requirements are administered by the EPA and the State of Missouri's delegated authority, MDNR. Regulations of these agencies deal with the nature of wastewater (particularly from commercial and industrial facilities) discharged into the collection system, management of overflows from the combined (sanitary/storm) sewer system, the quality of effluent discharged from the wastewater treatment facilities into receiving streams, the quality of air emissions, and the use or disposal of residual solids generated by the wastewater treatment plants. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines that must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with mandated effluent quality and disposal criteria, the City must operate its wastewater treatment facilities according to discharge limitations and reporting requirements set forth in National Pollutant Discharge Elimination System ("NPDES") discharge permits issued by MDNR. With the exceptions/outliers stated below all wastewater treatment plants are meeting the requirements of their individual NPDES permits, as of September 1, 2012.

VIOLATIONS				
DATE	BLUE RIVER	BIRMINGHAM	ROCKY BRANCH	TODD CREEK
Apr	BOD Wk AVG 95/40	BOD WK AVG 83/45	None	None
	TSS WK AVG 185/60			
	TSS MO AVG 41/40			
	NH3 MO AVG 19.7/17.3			
May	NH3 MO AVG 21.5/17.3	None	NH3 WK AVG 7.14/3.7	None
June	NH3 MO AVG 21.8/17.3	BOD WK AVG 64/45	None	pH 5.4/6.5
		BOD MO AVG 40/30		
		TSS WK AVG 51/45		
		TSS MO AVG 31/30		
		E-Coli WK AVG 7710/1040		
July	NH3 Mo AVG	BOD WK AVG 55/45	None	None
		BOD MO AVG 37/30		
		BOD Removal Effluent		
Aug	NH3 Mo AVG 23.2/17.3	BOD Mo AVG 42/30	TSS Week AVG 55/25	None
		BOD Week AVG 69/45	TSS Mo AVG 17/15	
		TSS Mo AVG 42/30		
		TSS Week AVG 55/45		
		TSS 85% Removal		
		BOD 85% Removal		

Blue River Wastewater Treatment Plant: The new NPDES Permit added ammonia limits. The treatment plant had difficulty meeting these limits due to damaged trickling filter arms and the Dissolved Air Floatation unit being out of service. The DAF was repaired and returned to service resulting in lower ammonia values. The repair of the trickling filter arms will further lower the ammonia values.

Birmingham Wastewater Treatment Plant: Birmingham WWTP is in the process of a major construction project. Construction includes adding disinfection and replacing the two (2) square final clarifiers with round basins. This will greatly improve plant performance and is scheduled to be complete by May, 2013.

To comply with other federal regulations concerning the discharge of waste materials into the combined and sanitary sewer systems, the City must administer and enforce industrial pretreatment standards upon users of the system. The City has been approved by the State and the EPA to administer its own industrial pretreatment program. In addition, any other jurisdiction contributing wastewater to the City's wastewater collection and treatment system is required by an inter-jurisdictional agreement to either (i) permit and monitor all industries within its respective service area, or (ii) allow the City to do so.

In addition to the City's compliance with all applicable federal laws and regulations, the City must comply with all applicable State laws and regulations. The primary State laws concerned with the control of wastewater operations are the Missouri Clean Water Law, Chapter 644, RSMo, and corresponding regulations, and the Missouri Air Conservation Law, Chapter 643, RSMo, along with corresponding regulations.

Evolving Regulations

As stated earlier, the City has reached an agreement with the federal government, in the form of a Consent Decree, that includes the Plan, resolution of past Clean Water Act violations, and the imposition of a penalty. This Consent Decree has been approved by the United States District Court for the Western District of Missouri. While the Plan, in its current form, complies with current EPA and MDNR regulations, it is possible that new EPA or MDNR regulations or changes in permitting may require additional improvements which could result in additional expenses to the Sanitary Sewer System.

Legal

On behalf of the City, the Water Services Department entered into a cooperative agreement with the City of Lee's Summit, Missouri ("Lee's Summit"), whereby the City would construct the East Bannister Road Interceptor by February 19, 2008. Subsequent to February 19, 2008, Lee's Summit could terminate 138 temporary residential City connections to Lee Summit's Boggs Hollow Interceptor. As of the date of this document, the East Bannister Road Interceptor has not been constructed. Despite Lee's Summit's ability to disconnect, the disconnections can only occur after: (i) Lee's Summit provides the City with a 135 day written notice to disconnect; (ii) a third party has applied to Lee's Summit for development approval in the Boggs Hollow watershed; and (iii) the Lee's Summit governing body determines that said development will require capacity in the Boggs Hollow Interceptor which is not available due to consumption by the City. As of the date of this document, the City has not received notice from Lee's Summit to disconnect from the Boggs Hollow Interceptor, and to the best of the City's knowledge there are no approved developments in Lee's Summit that would require capacity from the Boggs Hollow Interceptor which is unavailable due to City consumption.

Largest Users of the System

The following table sets forth the ten largest users of the City's Sanitary Sewer System, the percentage of total wastewater service charges for service and the contract expiration date applicable to each for Fiscal Year 2012:

<u>User</u>	<u>Approximate Percentage of Total Wastewater Services</u>	<u>Contract Expiration Date</u>
Johnson County, Kansas	11.08%	2016
Liberty, Missouri	3.45	2019
Gladstone, Missouri	2.78	2020
North Kansas City, Missouri	1.87	2016
Raytown, Missouri	0.94	2020
Veolia	0.65	None*

Ford Motor Company	0.59	None*
Riverside, Missouri	0.58	2018
Pleasant Valley, Missouri	0.40	2019
Robert's Dairy	0.34	None*

* Industrial customer; no contract in place.

Approximately seventy percent of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located inside the City limits. Additionally five percent of the sewer service charge revenues is billed directly by the Water Services Department on a retail basis outside of the City limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The rates charged to each of the wholesale customers are based on a flat rate house count, commercial customer count with water usage, or metered sewer flow. The rates for each agreement are established in the City's sewer rate ordinance. These rates are reviewed annually but can be changed by the City Council at any time.

Billing Procedures and Collections

Wastewater rates are reviewed annually by the City to determine if rate adjustments are required. Charges are based on the estimated volume of wastewater discharged into the Sanitary Sewer System or by actual measurement for certain inter-jurisdictional customers. Billable wastewater volume charges for one and two family dwellings are based on water used during the winter period, which is defined as the billing periods most closely corresponding to the months of January through April. Billed wastewater volume for all other customers is equal to actual metered water usage less any approved exemption allowances for water that does not enter the Sanitary Sewer System. In addition, all customers pay a monthly service charge. Commercial and industrial users that discharge wastewater having a high biochemical oxygen demand, high concentrations of suspended solids, or oil and grease pay additional charges to recover the added costs required.

Charges for wastewater collection and treatment services are combined on a single bill with applicable water and stormwater charges. A late payment service charge of 5% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one- and two-family dwellings, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$1,000 or more. Water and wastewater service can be restored upon receipt of the full amount of the outstanding balance including a service restoration charge.

Annual Rate Of Delinquent Accounts

<u>Fiscal Year Ended April 30</u>	<u>Delinquency Percentage</u>
2012	2.52%
2011	2.36%
2010	3.66%
2009	2.23%
2008	2.06%

Rate Structure

In 1972, the City adopted a policy of annually reviewing the adequacy of its wastewater rates and adjusting them as required. Wastewater rates are developed for retail and inter-jurisdictional contract customers by determining the total costs of service and service requirements. Rate increases over the past six years have occurred each May 1 and range from 8% to 15%. Rate increases implemented from FY 2008 to FY 2012 are shown in the table below:

<u>FY</u>	<u>% of Rate Increase</u>
2012	15%
2011	15%
2010	12%
2009	12%
2008	8%

On March 29, 2012, the City Council approved Ordinance No. 120208 which established the following wastewater rates effective May 1, 2012:

Inside City Rates

Monthly Service Charge	\$11.55 per bill
Volume Charge	\$3.82 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.297 per pound
Suspended Solids Over 250 mg/l	\$0.181 per pound
Oil & Grease Over 30 mg/l	\$0.131 per pound

Outside City Rates

Metered Wastewater Connections	
Volume Charge	\$2.21 per hundred cubic feet
Metered Wastewater Direct Connections	
Volume Charge	\$2.13 per hundred cubic feet
Unmetered Connections with Water Records	
Monthly Service Charge	\$9.90 per bill
Volume Charge	\$2.79 per hundred cubic feet
Unmetered Connections without Water Records	
Monthly Service Charge	\$30.26
Individual Customers Billed Directly by the City	
Monthly Service Charge	\$17.84 per bill
Volume Charge	\$5.56 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.341 per pound
Suspended Solids Over 250 mg/l	\$0.205 per pound
Oil & Grease Over 30 mg/l	\$0.133 per pound

Rate increases require City Council approval and the City is not required to raise rates annually. The City makes no representation as to whether (i) a rate increase will be approved in any future Fiscal Year, or, (ii) if a rate increase is approved in any Fiscal Year, the nature and extent of any such rate increase or changes in customer base and resulting revenues. Nevertheless, the City's debt service coverage requirement will be maintained.

Stormwater charges are based on the impervious area of each property within the City. The stormwater revenues are not available to pay debt service on the Bonds or any other Parity Bonds (defined in the various bond ordinances). However, stormwater revenues could be used, if required, to pay debt service on the Outstanding Senior Bonds (defined in the various bond ordinances).

Sanitary Sewer System Financial Information and Coverage Statement

Operating Revenues and Expenses

Approximately 75% of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located either inside or outside the city limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The total number of retail customers in Fiscal Year 2012 is approximately 158,000.

Annual operation and maintenance expenses of the Sanitary Sewer System are shown in the “Debt Service Coverage” Table. These expenses consist of sewerage treatment and pumping, sewer maintenance, administrative and general, hazardous waste control, and Automated Meter Reading lease payments. The wastewater utility’s total operation and maintenance expenses for the historical period were as follows:

<u>FY</u>	<u>Expenses</u>
2008	\$46,565,369
2009	\$52,231,886
2010	\$54,220,587
2011	\$50,804,175
2012	\$54,253,365

On August 14, 2008, the City Council adopted the Water Services Department’s Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy). The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Sanitary Sewer System are as follows:

- (a) Operating reserves have been established in an amount equal to 20 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
- (b) A renewal and replacement reserve has been established in an amount equal to the prior year’s annual depreciation. Minimum annual contributions of \$1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

Accounting, Budgeting and Auditing Procedures

The Water Services Department is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for government owned wastewater utilities. The Water Services Department operates the Sanitary Sewer System on the accrual system of accounting, where revenues are recorded when earned and expenses are recorded when incurred. An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the Sanitary Sewer System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from Sanitary Sewer System revenues.

The financial statements of the Sanitary Sewer System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. For the year 2008, the annual audit was performed by KPMG, LLP, Kansas City, Missouri. In 2009, BKD, LLP certified public accountants audited the City as a whole and did not give a separate opinion for the Sanitary Sewer System’s financial statements. In 2010, 2011 and 2012, BKD, LLP,

certified public accountants, provided a separate opinion for the Sanitary Sewer System's financial statements. Copies of the audit reports for the past five years are on file in the City Clerk's office and are available for review.

Financial Statements

The tables on the following pages provide the Sewer Fund's balance sheets and income statements for the Fiscal Years ended April 30, 2008 through 2012. The City did not ask BKD, LLP, to perform any additional work or any post-audit procedures more recently than the April 30, 2012 audit with respect thereto.

CITY OF KANSAS CITY, MISSOURI
SEWER FUND – WASTEWATER ONLY

Statements of Net Assets

Audited For Fiscal Years Ending April 30, 2008-2012

	2008	2009	2010	2011	2012
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 627,884	\$ 298,714	\$ 7,821,482	\$ 1,774,159	\$ 3,308,717
Investments	2,357,875	1,402,186.09	1,948,488	3,590,367	9,423,501
Accounts Receivable Net	12,939,765	13,606,392	13,670,505	15,286,083	15,000,014
Accrued Interest Receivable	125,357	75,086	174,661	243,815	188,750
Current Portion of Notes Receivable	-	-	-	-	-
Federal and State Grants Receivable	-	-	-	-	-
Prepaid Expense	326,629	327,166	-	-	-
Inventories	594,096	521,705	574,413	484,700	401,490
Due from Other Funds	313,224	390,129	314,429	653,274	91,916
Total unrestricted current assets	17,284,830	16,621,378	24,503,978	22,032,399	28,414,389
Restricted Assets:					
Cash and Cash Equivalents	1,374,116	4,082,445	723,515	7,898,665	8,218,417
Investments	5,160,181	29,393,136	5,584,904	3,877,108	30,569,144
Accrued Interest Receivable	155,489	251,374	471,922	309,650	442,405
Total restricted current assets	6,689,785	33,726,955	6,780,341	12,085,424	39,229,966
Total Current Assets	23,974,615	50,348,333	31,284,319	34,117,823	67,644,355
Investments	8,099,656	10,337,064	13,207,753	31,249,769	46,272,416
Restricted Assets - Investments	21,226,799	54,412,393	67,410,228	55,125,685	97,876,784
Special Assessments Receivable Net	2,288	27	-	-	-
Notes Receivable	-	-	-	-	-
Debt Issuance Cost	2,501,082	2,832,618	2,716,273	2,476,063	2,841,647
Capital Assets, Depreciable, Net	515,338,214	510,819,170	504,990,405	595,200,149	606,390,804
Capital Assets, Non-Depreciable, Net	83,645,896	98,458,458	119,743,179	45,746,045	58,109,263
Total Assets	\$654,788,550	\$727,208,064	\$739,352,157	\$763,915,534	\$879,135,270
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 3,626,994	\$ 2,975,514	\$ 7,025,071	\$ 3,619,334	\$ 5,016,069
Current Portion of Compensated Absences	80,338	457,762	477,279	449,797	389,618
Accrued Payroll and Related Expenses	996,472	1,390,160	318,816	364,853	447,734
Unrestricted Contract Retainage Payable	114,385	74,244	109,484	10,959	41,996
Other Liabilities	544,911	567,369	567,369	571,506	592,639
Current Portions of Claims Liability	-	843,957	1,059,520	1,339,672	945,101
Due to Other Funds	1,464,144	136,792	84,271	56,260	73,093
Total current liabilities payable from unrestricted assets	6,827,244	6,445,797	9,641,809	6,412,381	7,506,249
Liabilities payable from restricted assets:					
Accrued Interest & Fiscal Agent Fees	2,822,665	2,900,266	3,537,838	3,417,044	4,473,518
Current Portion of Revenue Bonds Payable	10,805,000	11,155,000	13,374,431	14,489,900	15,872,573
Contract Retainage Payable	872,283	223,965	468,266	369,093	925,503
Total current liabilities payable from restricted assets	14,499,948	14,279,230	17,380,535	18,276,037	21,271,594
Total Current Liabilities	21,327,192	20,725,028	27,022,344	24,688,418	28,777,844

Compensated Absences	1,476,698	1,437,438	1,378,989	1,173,076	1,309,404
Claims Liability	2,257,989	2,648,246	3,254,202	4,304,877	2,878,725
Other Post Employment Benefit Obligation	702,275	1,701,104	2,609,883	2,857,022	3,026,926
Pension Liability	672,134	629,967	1,542,320	2,288,276	2,914,000
Revenue Bonds Payable, net of Current Portion	166,679,418	225,448,390	213,087,679	203,164,436	281,529,261
Total Liabilities	193,115,706	252,590,173	248,895,417	238,476,104	320,436,160
Net Assets					
Investment in capital assets, net of related debt	443,698,034	453,854,996	471,746,517	482,829,817	494,445,838
Restricted net assets	4,524,375	6,666,977	6,598,529	6,777,676	7,159,774
Unrestricted net assets	13,450,435	14,095,918	12,111,694	35,831,937	57,093,497
Total Net Assets	461,672,844	474,617,891	490,456,740	525,439,430	558,699,109
Total Liabilities and Net Assets	\$654,788,550	\$727,208,064	\$739,352,157	\$763,915,534	\$879,135,270

CITY OF KANSAS CITY, MISSOURI

Debt Service Coverage - Sanitary Sewer System

Fiscal Years Ending April 30, 2008 through April 30, 2012

	2008	2009	2010	2011	2012
Sewer charges	\$ 64,848,775	\$ 69,850,066	\$ 74,119,422	\$ 93,350,359	\$ 100,374,457
Other operating income	3,613,322	4,752,796	5,521,162	5,023,113	4,535,887
Interest income	2,779,229	1,418,735	2,852,011	2,113,983	2,631,399
Total Revenues	\$ 71,241,326	\$ 76,021,598	\$ 82,492,595	\$ 100,487,455	\$ 107,541,743
Sewerage Treatment and Pumping	\$ 17,931,832	\$ 18,968,715	\$ 19,158,602	\$ 20,207,164	\$ 21,075,363
Sewer Maintenance	13,419,209	16,489,430	18,014,531	14,638,633	18,440,854
Administrative and General	13,193,053	14,509,502	14,833,438	14,535,534	13,468,247
Industrial and Household Hazardous Waste Control	2,021,275	2,264,239	2,214,016	1,422,844	1,268,901
Total Expenses*	\$ 46,565,369	\$ 52,231,886	\$ 54,220,587	\$ 50,804,175	\$ 54,253,365
	\$ 24,675,957	\$ 23,789,712	\$ 28,272,008	\$ 49,683,280	\$ 53,288,378
Gross Current Year Debt Service	\$17,891,805	\$19,276,085	\$21,412,013	\$24,289,340	\$25,048,234
Coverage of Gross Debt Service	1.38 x	1.23 x	1.32 x	2.05 x	2.13 x
Less: State Revolving Fund (SRF) Subsidy	3,380,966	3,241,774	2,612,237	2,612,253	2,352,175
Net Current Year Debt Service	\$ 14,510,839	\$ 16,034,311	\$ 18,799,776	\$ 21,677,087	\$ 22,696,059
Coverage of Net Debt Service**	1.70 x	1.48 x	1.50 x	2.29 x	2.35 x

* Does not include depreciation, interest expense and fiscal agents fees.

** City Ordinance allows interest earnings on SRF loan reserves to be applied to the debt service requirement for purposes of calculating annual debt service coverage.

CITY OF KANSAS CITY, MISSOURI
SEWER FUND – WASTEWATER ONLY
Statements of Revenues, Expenses and Changes in Fund Net Assets
Audited for Fiscal Years Ending April 30, 2008-2012

	2008	2009	2010	2011	2012
Operating Revenues					
Retail Sewer Charges	\$ 46,125,920	\$ 48,752,005	\$ 52,411,606	\$ 70,226,412	76,448,889
Inter-jurisdictional Sewer Charges	18,722,855	21,098,061	21,707,817	23,123,947	23,925,569
Other Operating Revenues	3,613,322	4,752,796	5,521,162	5,023,113	4,535,887
Total Operating Revenues	68,462,097	74,602,862	79,640,585	98,373,472	104,910,345
Operating Expenses					
Sewage Treatment and Pumping	17,931,832	18,968,715	19,158,602	20,207,164	21,075,363
Sewer Maintenance	13,419,209	16,489,430	18,014,531	14,638,633	18,440,854
Administrative and General	13,193,053	14,509,502	14,833,438	14,535,534	13,468,247
Industrial and Household Hazardous Waste Control	2,021,275	2,264,239	2,214,016	1,422,844	1,268,901
Depreciation and Amortization	14,072,645	14,008,556	14,330,796	17,375,094	17,615,972
Total Operating Expenses	60,638,014	66,240,442	68,551,383	68,179,269	71,869,337
Total Operating Income	7,824,083	8,362,420	11,089,202	30,194,203	33,041,008
Nonoperating Revenues (Expenses)					
Interest Income	2,779,229	1,418,735	2,852,011	2,113,983	2,631,399
Interest Expense and Fiscal Agent Fees	(4,847,657)	(4,499,980)	(4,475,333)	(5,323,263)	(5,981,420)
Gain (Loss) Sale of Assets	(18,389)	109,101	4,933	(630,131)	16,072
Total Nonoperating Expenses (net)	(2,086,817)	(2,972,144)	(1,618,389)	(3,839,411)	(3,333,949)
Excess of Revenues over Expenses before Capital Contributions	5,737,266	5,390,276	9,470,813	26,354,792	29,707,059
Capital Contributions	10,749,379	7,554,771	6,368,036	8,627,900	3,552,626
Increase in Net Assets	16,486,645	12,945,047	15,838,849	34,982,692	33,259,685
Net Assets, Beginning of Year	445,186,199	461,672,844	474,617,891	490,456,740	525,439,432
Net Assets, End of Year	\$ 461,672,844	\$ 474,617,891	\$ 490,456,740	\$ 525,439,432	\$ 558,699,117